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Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ALLEGHENY MCP

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative * Fiscal 1999	Planned * Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Hospital Revenue Systems (Inpatient and Outpatient)	Annual		AS	C&L	C&L	C&L	C&L
Billing Compliance Issues	Ongoing	AS	AS				
Controlled Substance Review	Rotating - 2 years						AS
Sales and Use Taxes	Rotating - 3 years				AS		
Operational Areas (including related automated systems):							
- Patient Registration	Rotating - 3 years **	AS		AS			
- Emergency Services	Rotating - 3 years **			AS	AS		AS
- Surgical Services	Rotating - 3 years **						AS
- Radiology	Rotating - 3 years **	AS					
- Laboratory	Rotating - 3 years **	AS					
- Pharmacy	Rotating - 3 years **						
Bill/Medical Chart Review	Ongoing	AS	AS	AS	AS	AS	AS
Cash Controls Review	Rotating - 2 years					AS	

(2-20-97/ALMCPRIS.SCH/document.kks)

* - Intended to reflect internal audit coverage only
 ** - Greater audit frequency may be necessary if there are significant changes in operations or systems

C&L - Coopers & Lybrand
 AHERF Audit Services Department

Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ALLEGHENY HAHNEMANN

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative* Fiscal 1999	Planned* Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Hospital Revenue Systems (Inpatient and Outpatient)	Annual		AS	C&L	C&L	C&L, AS	C&L
Billing Compliance Issues	Ongoing	AS	AS				
Controlled Substance Review	Rotating - 2 years			AS		AS	
Sales and Use Taxes	Rotating - 3 years				AS		C&L
Operational Areas (including related automated systems):							
- Patient Registration	Rotating - 3 years **	AS					
- Emergency Services	Rotating - 3 years **			AS			
- Surgical Services	Rotating - 3 years **						
- Radiology	Rotating - 3 years **	AS					
- Laboratory	Rotating - 3 years **	AS					
- Pharmacy	Rotating - 3 years **						
Bill/Medical Chart Review	Ongoing	AS	AS	AS	AS	AS	
Cash Controls Review	Rotating - 2 years				AS		C&L
Travel and Business Expenses	Rotating - 3 years					AS	

(2-20-97/HA/INRISK.SCH/document.kks)

C&L - Coopers & Lybrand
AS - AHERF Audit Services Department

* - Intended to reflect internal audit coverage only

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Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ST. CHRISTOPHER'S HOSPITAL FOR CHILDREN

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative* Fiscal 1999	Planned* Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Hospital Revenue Systems (Inpatient and Outpatient)	Annual		AS	C&L	C&L, AS	C&L, AS	C&L
Controlled Substance Reviews	Rotating - 2 years **				AS		AS
Travel and Business Expenses	Rotating - 3 years						
Operational Areas (included related automated systems):							
- Patient Registration	Rotating - 3 years **	AS					
- Emergency Services	Rotating - 3 years **			AS			
- Surgical Services	Rotating - 3 years **					AS	
- Radiology	Rotating - 3 years **					AS	
- Laboratory	Rotating - 3 years **					AS	
- Pharmacy	Rotating - 3 years **					AS	
Cash Receipts Controls	Rotating - 2 years **						AS

C&L - Coopers & Lybrand

AS - AHERF Audit Services Department

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Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ST. CHRISTOPHER'S HOSPITAL FOR CHILDREN

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative* Fiscal 1999	Planned** Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Fund Development/Golf Tournament	Rotating - 3 years					AS	AS
Major Affiliation Contracts/Relationships	Significant change						AS
Bill/Medical Chart Review	Ongoing	AS	AS	AS	AS	AS	AS

(2-20-97/SCHCRISK.SCH/document.kks)

C&L - Coopers & Lybrand
AS - AHERF Audit Services Department

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Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ALLEGHENY ELKINS PARK

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative * Fiscal 1999	Planned * Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Hospital Revenue Systems (Inpatient and Outpatient)	Annual	AS		C&L	C&L, AS	C&L	C&L
Controlled Substance Review	Rotating - 2 years **						AS
Operational Areas (including related automated systems):							
- Patient Registration	Rotating - 3 years **	AS					
- Emergency	Rotating - 3 years **			AS	AS		
- Surgical Services	Rotating - 3 years **						
- Radiology	Rotating - 3 years **	AS					
- Laboratory	Rotating - 3 years **	AS					
- Pharmacy	Rotating - 3 years **						
Cash Receipt Controls	Rotating - 2 years **						AS
Bill/Medical Chart Review	Ongoing				AS	AS	

(2-20-97/ELKINRS.SCH/document.kks)

C&L - Coopers & Lybrand

AS - AHERF Audit Services Department

* - Intended to reflect internal audit coverage only

** - Greater audit frequency may be necessary if there are significant changes in operations or systems

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Allegheny Health, Educational and Research Foundation
Schedule of Risk Areas and Comprehensive Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ALLEGHENY BUCKS COUNTY

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative Fiscal 1999	Planned Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Hospital Revenue Systems (Inpatient and Outpatient)	Annual	AS		C&L	C&L, AS	C&L	C&L
Controlled Substance Review	Rotating - 2 years **						AS
Operational Areas (including related automated systems):							
- Patient Registration	Rotating - 3 years **	AS					
- Emergency	Rotating - 3 years **			AS	AS		
- Surgical Services	Rotating - 3 years **						AS
- Radiology	Rotating - 3 years **	AS					
- Laboratory	Rotating - 3 years **	AS					
- Pharmacy	Rotating - 3 years **						
Cash Receipt Controls	Rotating - 2 years **						
Bill/Medical Chart Review	Ongoing				AS	AS	

(2-20-97/BUCKSRUS.SCH/document.kks)

C&L - Coopers & Lybrand
AS - AHERF Audit Services Department

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Allegheny Health, Education and Research Foundation
Schedule of Risk Areas and Combined Internal/External Audit Coverage
(Excludes Non-routine Risk Areas and Special Projects/Investigations)
ALLEGHENY INTEGRATED HEALTH GROUP

Areas of High and/or Moderate Risk	Desirable Audit Frequency	Tentative* Fiscal 1999	Planned* Fiscal 1998	Current Fiscal 1997	Historical		
					Fiscal 1996	Fiscal 1995	Fiscal 1994
Physician Practice Acquisitions	Ongoing				AS		
Practice Office Operational Audits	Ongoing	AS	AS	AS		AS	
Revenue Capture, Documentation and Coding Integrity	Ongoing	AS	AS	AS	AS	AS	

(2-20-97/AIHGRISK.SCH/document.kks)

C&L - Coopers & Lybrand
AS - AHERF Audit Services Department

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
Audit Services Fiscal 1998 Operating Budget
Discussion

ASSESSMENT OF CURRENT OPERATIONS

At the April 8, 1996 meeting of the AHERF Audit Committee, Audit Services' proposed Fiscal 1997 operating budget was approved by the Committee. The Committee-approved budget totalled \$1,355,350 for the combined Pittsburgh and Delaware Valley Departments. Subsequent to the Audit Committee meeting, AHERF executive management approved the October 1996 transfer of two senior auditors from the Graduate Health System (Graduate) Internal Audit Department to AHERF's Delaware Valley Audit Services Department. The former Director of Internal Audit for Graduate also joined the AHERF Audit Services group by accepting a vacant management position within the Department. As a result of the transfer of the additional senior positions, Audit Services' adjusted operating budget for the combined Pittsburgh and Delaware Valley Departments was increased to \$1,417,115.

Actual Fiscal 1997 operating expenses of the combined Pittsburgh and Delaware Valley Audit Services departments are expected to approximate \$1,408,550. In meeting its Fiscal 1997 budget targets, all Audit Services management and staff were affected by the four-month "salary freeze" which impacted all AHERF employees. In addition, the Delaware Valley Department was reorganized in order to maintain audit efficiency in light of the expanded staff complement. Specifically, the Delaware Valley Department now operates with two Financial/Operational Audit Managers in order to enable an increased number of active projects to be planned, supervised and reviewed without sacrificing necessary management oversight or increasing the duration of audit projects.

During Fiscal 1997, the Pittsburgh and Delaware Valley Audit Services Departments accomplished the following:

- Achieved substantial completion of the Audit Services Workplan as approved by the AHERF Audit Committee. In addition, the Departments completed a number of unplanned projects and/or special management requests. (See separate section of this Agenda for discussion of the Audit Services Workplan.)
- Provided significant non-audit and consultative support to AHERF and its operating units in the areas of acquisition analysis, billing process and compliance, professional fee revenue reviews, fraud investigation support and various human resources issues.
- Continued to increase the Department's use of computer-assisted audit techniques (CAAT) to expand the scope and efficiency of audits and reviews. Specifically, the use of CAAT has enabled the auditors to (1) make on-line inquiry of systems/transactions being reviewed, (2) greatly expand sample sizes used for audit testing while decreasing actual fieldwork time, (3) identify errors and/or exceptions which occur in a test population on an infrequent basis, (4) quickly and accurately quantify the impact of certain audit findings, and (5) provide focused, organized and useful information to auditees/management to correct problems and/or enhance internal controls.

- Utilized (on a limited, select basis) management "self-audit" programs to promote efficiency in the audit process and increase management's awareness of (and responsibility for) internal controls. A similar technique was also used in conducting follow-up reviews of areas previously audited by having management prepare "status of implementation" reports for Audit Services' review and verification.
- Provided substantial support to AHERF and its operating units in the development and communication of billing compliance issues/programs throughout AHERF. Audit Services activities included participation in various task forces, presentations at educational sessions, research on billing matters, assistance in developing reporting protocols and departmental self-audit schedules, selected reviews of coding and documentation practices, quantification of potential overpayments received and communication with outside parties (attorneys, third-party payors, government officials, etc.).

FISCAL 1998 PLANS AND OBJECTIVES

The proposed Fiscal 1998 operating budget for the combined Pittsburgh and Delaware Valley Audit Services Departments is \$1,493,510, an increase of approximately 5% over the revised Fiscal 1997 budget. Approximately one half of this increase is attributed to the full-year effect of absorbing the Graduate internal auditors into AHERF. The remaining increase reflects an estimated 4% annual salary increase for Audit Services management and staff. Audit Services believes the proposed Fiscal 1998 budget and the related Audit Services staffing complement will facilitate completion of the proposed Workplan previously presented while maintaining necessary fiscal responsibility.

Audit Services' principal goal for Fiscal 1998 is to continue to provide comprehensive and effective internal audit services to the AHERF system. This will be accomplished primarily through the execution of the Audit Services Workplan, as approved by the Audit Committee. In addition to the planned audits/projects, Audit Services will continue to provide support to management and/or the Board of Trustees for special reviews (in appropriate, high-priority areas) which may be requested. Additionally, the Audit Services management group will utilize Fiscal 1998 to develop the necessary infrastructure and management contacts to expand the Audit Services' presence within the newly-acquired AHERF entities.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

Audit Services Department
Proposed Fiscal Year 1998 Operating Budget

The following table reflects the proposed operating budgets for the Pittsburgh and Delaware Valley-based Audit Services Departments. The budget presentation shows audit resources according to their "home office" location. Cost allocations made during the fiscal year (based on the actual utilization of such resources) may affect the dollars actually charged to each geographic area and/or individual operating unit. Additional budgetary detail is presented in the remainder of this section.

	Pittsburgh Fiscal 1998 Proposed Budget	Delaware Valley Fiscal 1998 Proposed Budget	Total Fiscal 1998 Proposed Budget
Salaries and Wages	\$590,650	\$741,960	\$1,332,610
FICA Taxes	43,000	53,400	96,400
Computer/Office Supplies	4,500	5,000	9,500
Publications and Subscriptions	5,000	5,000	10,000
Travel and Meetings	23,000	20,000	43,000
Nondepreciable Fixed Assets	1,000	1,000	2,000
TOTAL	<u><u>\$667,150</u></u>	<u><u>\$826,360</u></u>	<u><u>\$1,493,510</u></u>

Budgeted Staffing Summary

	Pittsburgh	Delaware Valley	Total
Senior Director/Director	2	1	3
Audit Manager:			
Financial/Operational Audit	-	2	2
Medical Audit	-	1	1
Senior/Staff Auditor	5	6	11
Senior/Staff IS Auditor	3	-	3
Senior/Staff Medical Auditor	-	4	4
Executive Secretary	1	1	2
TOTAL	<u><u>11</u></u>	<u><u>15</u></u>	<u><u>26</u></u>

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

Comparative Operating Data
Audit Services Department
Pittsburgh

	Fiscal 1998 Proposed Budget	Fiscal 1997 Estimated Actual	Fiscal 1997 Budget
Salaries and Wages	\$590,650	\$563,300	\$558,400
FICA Taxes	43,000	39,700	42,700
Computer/Office Supplies	4,500	4,400	2,000
Publications and Subscriptions	5,000	5,100	4,500
Travel and Meetings	23,000	23,500	23,000
Nondepreciable Fixed Assets	1,000	1,000	1,000
TOTAL	<u>\$667,150</u>	<u>\$637,000</u>	<u>\$631,600</u>

Staff Analysis

	Fiscal 1998 Budget	Fiscal 1997 Actual	Fiscal 1997 Budget
Director	2.0	2.0	2.0
Senior Auditor	4.0	4.0	4.0
Auditor	1.0	1.0	1.0
Senior IS Auditor	2.0	0.5	2.0
IS Auditor	1.0	2.0	1.0
Executive Secretary	1.0	1.0	1.0
TOTAL	<u>11.0</u>	<u>10.5</u>	<u>11.0</u>

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

Comparative Operating Data
Audit Services Department
Delaware Valley

	Fiscal 1998 Proposed Budget	Fiscal 1997 Estimated Actual	Fiscal 1997 Budget
Salaries and Wages	\$741,960	\$694,050	\$700,925 *
FICA Taxes	53,400	50,500	53,590 *
Computer/Office Supplies	5,000	4,500	5,000
Publications and Subscriptions	5,000	4,200	5,000
Travel and Meetings	20,000	17,500	20,000
Nondepreciable Fixed Assets	1,000	800	1,000
TOTAL	<u>\$826,360</u>	<u>\$771,550</u>	<u>\$785,515</u>

Staff Analysis

	Fiscal 1998 Budget	Fiscal 1997 Actual	Fiscal 1997 Budget
Senior Director	1.0	1.0	1.0
Audit Manager	2.0	1.7	1.0
Medical Audit Manager	1.0	1.0	1.0
Senior Auditor	5.0	4.7	6.0 *
Medical Auditor (senior/staff)	4.0	4.0	4.0
Internal Auditor	1.0	1.0	1.0
Executive Secretary	1.0	1.0	1.0
TOTAL	<u>15.0</u>	<u>14.4</u>	<u>15.0</u>

* - Includes adjustment for two senior auditor positions from the Graduate Health System which were transferred to the AHERF Audit Services Department in October 1996.

ALLEGHENY
HEALTH, EDUCATION AND
RESEARCH FOUNDATION

Fifth Avenue Place, Suite 2900
120 Fifth Avenue
Pittsburgh, PA 15222-3009

MEETING NOTICE

TO: Members of the AHERF - Audit Committee
FROM: Cherry S. White
DATE: February 14, 1997
SUBJECT: Allegheny Health, Education & Research Foundation
Audit Committee Meeting

There will be a meeting of the AHERF Audit Committee on Friday, March 14, 1997 at 10:00 a.m. The meeting will be held via videoconference in the AHERF Fifth Avenue Place Board Room in Pittsburgh, and the Allegheny University Hospitals, MCP Board Room in Philadelphia.

I would appreciate it if you would indicate your anticipated attendance at this meeting by returning the enclosed post card. If you have questions, please contact me at 412/359-5025.

Thank you.

CSW/jlf

Enclosure

PGH: 25547.1

*Members of the Allegheny Health, Education and Research Foundation
Allegheny General Hospital • Allegheny Integrated Health Group • Allegheny University of the Health Sciences •
Allegheny University Hospitals • St. Christopher's Hospital for Children*

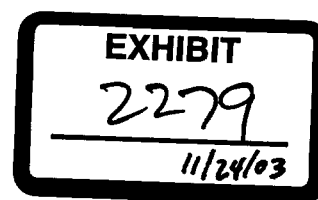
GOV 55939

EXHIBIT 2279

Keith
To discuss when
you have a chance.
Thanks,
Ken

DELAWARE VALLEY OBLIGATED GROUP**COMBINED FINANCIAL STATEMENTS****November 30, 1996**

Printed: 24-Dec-96
12:26 PM



*November 3rd***DELAWARE VALLEY OBLIGATED GROUP****Index****October 31, 1996****Page(s)**

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**ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
DELAWARE VALLEY OBLIGATED GROUP**

COMBINED BALANCE SHEETS

(Dollars in thousands)

ASSETS

	November 30, 1996	June 30, 1996
Current assets:		
Cash and short-term investments	\$18,878	\$27,282
Investments limited or restricted as to use	20,622	24,039
Receivables:		
Patient accounts, less allowance		
for doubtful accounts of \$ 20,647 at November 30		
and \$ 50,625 at June 30	268,552	252,568
Other	41,005	37,906
Inventories	12,558	12,749
Prepaid expenses	1,289	3,380
Total current assets	362,904	357,924
Investments limited or restricted as to use, net of amount required to meet current obligations	164,794	157,772
Property and equipment, net	415,601	419,945
Other assets	22,004	23,153
Total assets	<u>\$965,303</u>	<u>\$958,794</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$35,393	\$51,222
Accrued expenses	65,411 67,908	63,536
Line of credit borrowings	57,100	40,300
Payables to affiliates	46,635	21,269
Deferred revenue	16,559	13,323
Current portion of self-insurance liabilities	5,033	3,848
Current portion of long-term debt	6,018	690
Total current liabilities	235,546	194,188
Long-term debt	396,318	406,450
Student loans	18,780	18,731
Payables to affiliates	60,605	60,605
Self-insurance liabilities	8,703	9,430
Other noncurrent liabilities	1,195	1,168
Total liabilities	721,147	690,572
Net assets:		
Unrestricted	120,821	150,926
Temporarily restricted	55,226	50,053
Permanently restricted	68,109	67,243
Total net assets	<u>244,156</u>	<u>268,222</u>
Total liabilities and net assets	<u>\$965,303</u>	<u>\$958,794</u>

**ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
DELAWARE VALLEY OBLIGATED GROUP**

COMBINED STATEMENTS OF REVENUE AND EXPENSES
For the five months ended November 30
(Dollars in thousands)

	<u>1996</u>	<u>1995</u>
Revenue:		
Net patient service	\$379,288	\$360,138
Academic activities	26,108	26,708
Research and training support	20,909	20,585
Investment income	10,256	5,012
Other	<u>21,639</u>	<u>21,007</u>
Total revenue	<u>458,200</u>	<u>433,450</u>
Expenses:		
Salaries, wages and fees	262,889	246,083
Materials, supplies, and services	156,715	137,919
Depreciation and amortization	24,101	23,487
Interest	<u>10,801</u>	<u>12,269</u>
Total expenses	<u>454,506</u>	<u>419,758</u>
Excess of revenue over expenses, before special items	3,694	13,692
Special items:		
Extraordinary loss	0	0
Income from change in accounting principle	0	4,363
Restructuring costs	<u>0</u>	<u>0</u>
Excess of revenue over expenses	<u><u>\$3,694</u></u>	<u><u>\$18,055</u></u>

**ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
DELAWARE VALLEY OBLIGATED GROUP**

COMBINED STATEMENT OF CHANGES IN NET ASSETS
For the five months ended November 30, 1996
(Dollars in thousands)

		<u>Restricted Funds</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Balances at June 30, 1996	\$150,926	\$50,053	\$67,243
Excess of revenue over expenses	3,694		
Restricted:			
Gifts, grants and bequests		2,433	571
Investment income		8,417	30
Unrealized depreciation of investments	(6,519)	(2,085)	109
Transfers:			
(To)/from affiliates	(27,648)		400
(To)/from other funds	(238)	472	(234)
To revenue		(3,458)	(10)
Property and equipment additions from:			
Restricted funds	606	(606)	
Deferred revenue and other			
Balances at November 30, 1996	<u>\$120,821</u>	<u>\$55,226</u>	<u>\$68,109</u>

**ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
DELAWARE VALLEY OBLIGATED GROUP**

**COMBINED STATEMENT OF CASH FLOWS
For the five months ended November 30, 1996
(Dollars in thousands)**

	<u>1996</u>
Cash flows from operating activities:	
Excess of revenue over expenses	\$3,694
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:	
Depreciation and amortization	24,101
Increase/(decrease) in cash and short-term investments from changes in:	
Patient receivables	(15,984)
Intercompany accounts	25,366
Other current assets	(817)
Accounts payable and accrued expenses	(11,457)
Other	<u>2,607</u>
Net cash provided by operating activities	27,510
Cash flows from investing activities:	
Acquisition of property and equipment, net of disposals & transfers	(18,577)
Increase in investments limited or restricted as to use	<u>(4,117)</u>
Net cash used by investing activities	(22,694)
Cash flows from financing activities:	
Repayment of long-term debt	(16,772)
Net borrowings under line of credit agreements	16,800
Net transfers to affiliates	<u>(27,248)</u>
Net cash used by financing activities	<u>(13,220)</u>
Net decrease in cash and short-term investments	(8,404)
Cash and short-term investments at beginning of year	<u>27,282</u>
Cash and short-term investments at October 31, 1996	<u><u>\$18,878</u></u>

November 30

DELAWARE COUNTY OBLIGATED GROUP
COMBINING BALANCE SHEETS
(Dollars in thousands)

Page 5

November 30, 1996										
MCP	Elkins Park	Bucks County	Hahnemann	Mgmt Services	Alleg. Univ. Hospitals	SCHC	Alleg. Univ.	Total	Reclass/ Elimination	Grand Total
\$3,676	\$1,228	\$993	\$6,557	(\$2,899)	\$9,555	\$9,323	\$0	\$18,878		\$18,878
1,384	0	0	7,923	5	9,312	1,196	10,114	20,622		20,622
64,447	22,735	19,192	83,315	0	189,689	46,026	32,837	268,552		268,552
0	0	0	0	14,778	14,778	0	0	14,778	(14,778)	0
2,278	220	29	2,460	58	5,045	11,727	24,233	41,005		41,005
3,209	577	498	6,385	52	10,721	1,837	0	12,558		12,558
254	90	264	244	138	990	206	93	1,289		1,289
75,248	24,850	20,976	106,884	12,132	240,090	70,315	67,277	377,682	(14,778)	362,904
1,137	0	0	111	0	1,248	0	0	1,248		1,248
0	26	0	8,428	0	8,454	5,517	7,909	21,880		21,880
0	0	0	0	0	0	0	0	0		0
0	0	0	0	0	0	0	17,135	17,135		17,135
3,981	0	0	15,368	0	19,349	20,148	85,034	124,531		124,531
5,118	26	0	23,907	0	29,051	25,665	110,078	164,794	0	164,794
69,482	24,132	17,939	165,088	7,047	283,688	66,306	65,607	415,601		415,601
0	0	0	13,615	5,410	19,025	0	0	19,025	(19,025)	0
6,753	964	1,260	6,407	0	15,384	3,004	3,616	22,004		22,004
81,353	25,122	19,199	209,017	12,457	347,148	94,975	179,301	621,424	(19,025)	602,399
\$156,601	\$49,972	\$40,175	\$315,901	\$24,589	\$587,238	\$165,290	\$246,578	\$999,106	(\$33,803)	\$965,303
38,982	\$1,217	\$988	\$15,155	\$1,120	\$27,462	\$4,500	\$3,431	\$35,393		\$35,393
9,070	6,384	2,468	11,105	1,342	30,409	20,580	16,919	67,908		67,908
15,000	0	0	15,000	24,100	54,100	0	3,000	57,100		57,100
19,172	5,454	4,984	5,341	0	34,951	11,436	15,019	61,406	(14,771)	46,635
75	0	0	708	0	783	675	15,101	16,559		16,559
805	0	0	2,543	0	3,348	1,165	508	5,033		5,033
1,218	0	1,161	4,539	0	6,918	0	0	6,918		6,918
54,322	13,095	9,601	54,391	26,562	157,971	38,376	53,970	250,317	(14,771)	235,546
57,996	58,348	19,523	178,174	0	314,041	46,223	36,054	396,318		396,318
0	0	0	0	0	0	0	18,780	18,780		18,780
0	23,584	16,085	0	0	39,669	0	39,968	79,637	(19,032)	60,605
(17)	0	0	3,886	0	3,869	0	4,834	8,703		8,703
0	51	74	0	44	169	230	796	1,195		1,195
112,301	95,078	45,283	236,451	26,606	515,719	84,229	154,402	754,950	(33,803)	721,147
41,167	(45,379)	(5,142)	57,731	(2,016)	46,361	67,948	6,512	120,821		120,821
1,675	273	34	6,313	(1)	8,294	9,077	37,855	55,226		55,226
1,458	0	0	15,406	0	16,864	2,436	47,809	68,109		68,109
44,300	(45,106)	(5,108)	79,450	(2,017)	71,519	80,461	92,176	244,156	0	244,156
\$156,601	\$49,972	\$40,175	\$315,901	\$24,589	\$587,238	\$165,290	\$246,578	\$999,106	(\$33,803)	\$965,303

ASSETS

CURRENT ASSETS:

Cash and short-term investments
Investments limited or restricted as to use
Patient receivables
Receivables from affiliates
Other receivables
Inventories
Prepaid expenses
Total current assets

NONCURRENT ASSETS:

Investments limited or restricted as to use:
By Board of Trustees
By donor restriction
Debt service funds
Student loans
Endowments
Total investments limited or restricted as to use
Property and equipment, net
Receivables from affiliates
Other assets
Total noncurrent assets

Total assets

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable
Accrued expenses
Line of credit borrowings
Payables to affiliates
Current portion of deferred revenue
Current portion of self-insurance liabilities
Current portion of long-term debt
Total current liabilities

NONCURRENT LIABILITIES:

Long-term debt
Student loans
Payables to affiliates
Self-insurance liabilities
Other noncurrent liabilities
Total liabilities

NET ASSETS:

Unrestricted
Temporarily restricted
Permanently restricted
Total net assets

Total liabilities and net assets

No current LTD on the University

DELAWARE KEY OBLIGATED GROUP
COMBINING BALANCE SHEETS
(Dollars in thousands)

Page 6

June 30, 1996										
MCP	Elkins Park	Bucks County	Hahnemann	Mgmt's Services	Alleg. Univ. Hospitals	SCHC Consult.	Alleg. Univ.	Total	Reclass/ Elimination	Grand Total
\$4,215	\$1,039	\$1,070	\$5,068	\$199	\$11,591	\$14,943	\$748	\$27,282		\$27,282
1,457	0	0	8,426	10	9,893	1,943	12,203	24,039		\$24,039
58,450	21,288	17,012	78,534	0	175,284	43,319	33,965	252,568		252,568
0	0	0	0	0	0	0	0	0	0	0
1,936	177	43	2,483	57	4,696	9,953	23,257	37,906		37,906
2,909	666	577	6,549	209	10,910	1,839	0	12,749		12,749
803	191	341	1,237	134	2,706	415	259	3,380		3,380
69,770	23,361	19,043	102,297	609	215,080	72,412	70,432	357,924	0	357,924
1,106	0	0	5,682	0	6,788	0	0	6,788		6,788
0	25	0	8,428	0	8,453	5,389	4,484	18,326		18,326
0	0	0	0	0	0	0	0	0		0
0	0	0	0	0	0	0	0	0		0
4,277	0	0	14,172	0	18,449	18,283	78,480	115,212		115,212
5,383	25	0	28,282	0	33,690	23,672	100,410	157,772	0	157,772
70,452	25,349	19,035	167,816	9,338	291,990	64,124	63,831	419,945		419,945
0	0	0	13,622	5,410	19,032	0	0	19,032	(19,032)	0
7,033	981	1,321	6,929	14	16,278	3,032	3,843	23,153		23,153
82,868	26,355	20,356	216,649	14,762	360,990	90,828	168,084	619,902	(19,032)	600,870
\$152,638	\$49,716	\$39,399	\$318,946	\$15,371	\$576,070	\$163,240	\$238,516	\$977,826	(\$19,032)	\$958,794
\$12,512	\$2,396	\$1,978	\$19,341	\$2,331	\$38,758	\$4,918	\$7,546	\$51,222		\$51,222
8,734	2,999	2,209	11,761	1,646	27,369	19,988	16,179	63,536		63,536
11,000	0	0	11,000	12,300	34,300	0	6,000	40,300		40,300
12,921	2,000	2,000	0	0	16,921	4,348	0	21,269	0	21,269
208	0	0	982	0	1,190	597	11,536	13,323		13,323
805	0	0	2,543	0	3,348	0	500	3,848		3,848
0	0	616	74	0	690	0	0	690		690
46,200	7,395	6,803	45,901	16,277	122,576	29,851	41,761	194,188	0	194,188
59,209	60,841	20,317	182,638	0	323,005	47,400	36,045	406,450		406,450
0	0	0	0	0	0	0	18,731	18,731		18,731
0	23,584	16,085	0	0	39,669	0	39,968	79,637	(19,032)	60,605
0	0	0	4,530	0	4,530	0	4,900	9,430		9,430
0	51	74	0	44	169	206	793	1,168		1,168
105,409	91,871	43,279	233,069	16,321	489,949	77,457	142,198	709,604	(19,032)	690,572
44,285	(42,358)	(3,904)	64,620	(949)	61,694	73,716	15,516	150,926		150,926
1,489	203	24	5,851	(1)	7,566	8,952	33,535	50,053		50,053
1,455	0	0	15,406	0	16,861	3,115	47,267	67,243		67,243
47,229	(42,155)	(3,880)	85,877	(950)	86,121	85,783	96,318	268,222	0	268,222
\$152,638	\$49,716	\$39,399	\$318,946	\$15,371	\$576,070	\$163,240	\$238,516	\$977,826	(\$19,032)	\$958,794

ASSETS

CURRENT ASSETS:

Cash and short-term investments
Investments limited or restricted as to use
Patient receivables
Receivables from affiliates
Other receivables
Inventories
Prepaid expenses
Total current assets

NONCURRENT ASSETS:

Investments limited or restricted as to use:
By Board of Trustees
By donor restriction
Debt service funds
Student loans
Endowments
Total investments limited or restricted as to use
Property and equipment, net
Receivables from affiliates
Other assets
Total noncurrent assets
Total assets

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable
Accrued expenses
Line of credit borrowings
Payables to affiliates
Current portion of deferred revenue
Current portion of self-insurance liabilities
Current portion of long-term debt
Total current liabilities

NONCURRENT LIABILITIES:

Long-term debt
Student loans
Payables to affiliates
Self-insurance liabilities
Other noncurrent liabilities
Total liabilities

NET ASSETS:

Unrestricted
Temporarily restricted
Permanently restricted
Total net assets
Total liabilities and net assets

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF REVENUE AND EXPENSES
for the five months ended November 30, 1996

(Dollars in Thousands)

Page 7

November 30, 1996											
MCP	Elkins Park	Backus County	Hahnemann	Mgmt Services	Alleg. Univ. Hospitals	SCHC	Alleg. Univ.	Total	Reclass	Grand Total	
Revenue:											
Net patient service	\$86,284	\$23,674	\$21,068	\$133,062	\$0	\$264,088	\$51,805	\$63,395	\$379,288		\$379,288
Academic activities	0	43	5	0	0	48	330	25,730	26,108		26,108
Research and training support	576	0	0	1,519	0	2,095	873	17,941	20,909		20,909
Investment income	229	7	1	6,121	0	6,358	1,212	2,686	10,256		10,256
Other	2,911	295	310	2,930	2,223	8,669	3,537	31,435	43,641	(22,002)	21,639
Total revenue	90,000	24,019	21,384	143,632	2,223	281,258	57,757	141,187	480,202	(22,002)	458,200
Salaries, wages and fees	44,251	11,251	9,220	67,794	6,306	138,822	27,977	96,090	262,889		262,889
Materials, supplies, and services	35,431	9,296	8,292	57,719	(5,646)	105,092	25,398	48,227	178,717	(22,002)	156,715
Depreciation and amortization	4,735	1,330	1,370	7,835	2,630	17,900	3,260	2,941	24,101		24,101
Interest	1,565	1,996	710	4,429	0	8,700	1,171	930	10,801		10,801
Total expenses	85,982	23,873	19,592	137,777	3,290	270,514	57,806	148,188	476,508	(22,002)	454,506
Excess/(deficiency) of revenue over expenses	\$4,018	\$146	\$1,792	\$5,855	(\$1,067)	\$10,744	(\$49)	(\$7,001)	\$3,694	\$0	\$3,694

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the five months ended November 30, 1996

(Dollars in Thousands)

Page 8

	MCP	Elkins Park	Berks County	Harrisburg	UNRESTRICTED				Allg. Unif. Hospitals	SCHC	Allg. Unif.	Total	Reclus/ Elimination	Grand Total
					Mgmt Services									
Balances at June 30, 1996	\$44,385	(\$42,350)	(\$3,904)	\$64,620	(3949)	\$61,694	\$73,716	\$15,516	\$150,926					\$150,926
Excess/(deficiency) of revenue over expenses Restricted	4,018	146	1,792	5,855	(1,067)	10,744	(49)	(7,001)	3,694					3,694
Gifts, grants and bequests														0
Investment income														0
Unrealized appreciation of investments	(101)			(6,108)		(6,209)	480	(790)	(6,519)					(6,519)
Transfers														0
(To)/from affiliates	(7,035)	(3,167)	(3,030)	(6,658)	(19,890)	(5,941)	(1,817)	6	(238)					(27,648)
(To)/from other funds				22	22		(266)							(238)
To revenue														0
Property and equipment additions from Restricted funds							8	598	606					606
Other														0
Deferred revenue														0
Balances at November 30, 1996	\$41,167	(\$45,379)	(\$5,142)	\$57,731	(32,816)	\$46,261	\$67,944	\$6,512	\$110,821	\$0				\$110,821

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the five months ended November 30, 1996

(Dollars in Thousands)

Page 9

	MCP	Elkton Park	Bucks County	TEMPORARILY RESTRICTED					SCHC	Allig. Univ.	Total	Reclass/ Elimination	Grand Total
				Haberman	Mgmt Services	Allig. Univ. Hospitals							
Balance at June 30, 1996	\$1,409	\$203	\$24	\$5,851	(31)	\$7,566		\$8,952	\$33,535		\$50,053		\$50,053
Excess/(deficiency) of revenue over expenses													0
Restricted:													0
Gifts, grants and bequests								285	2,061		2,433		2,433
Investment income	277	1		1,437		1,715		284	6,418		8,417		8,417
Unrealized depreciation of investments	(74)			(369)		(443)		(23)	(1,619)		(2,085)		(2,085)
Transfers													0
(To)/from affiliates													0
(To)/from other funds													0
To revenue	(17)	(4)	(4)	(22)		(22)		(413)	(2,436)		472		472
Property and equipment additions from													(3,458)
Retained funds													0
Other								(8)	(598)		(606)		(606)
Deferred revenue													0
Balance at November 30, 1996	\$1,675	\$273	\$34	\$6,513	(31)	\$8,394		\$9,877	\$37,855		\$55,216	\$0	\$55,216

Handwritten notes:
2,989 for 6/11 - 1st part per
per 11/11/96 = 1st part per
diff 4508 - 1st part per
9/11/96 ?

DELAWARE VALLEY HOSPITALS GROUP
COMBINING STATEMENT OF CASH FLOWS
For the five months ended November 30, 1996

(Dollars in Thousands)

Page 11

MCP	Kilders Park	Bucks County	Hahnemann	Mgmt's Services	Alleg. Univ. Hospitals	SEHC	Alleg. Univ.	Total	Reclass/ Elimination	Grand Total
\$4,018	\$146	\$1,792	\$5,855	(\$1,067)	\$10,744	(\$49)	(\$7,001)	\$3,694		\$3,694
4,729	1,317	1,369	7,803	2,630	17,848	3,254	2,933	24,035		24,035
6	13	1	32	0	52	6	8	66		66
(5,997)	(1,447)	(2,180)	(4,781)	0	(14,405)	(2,707)	1,128	0		(15,984)
6,251	3,454	2,984	5,348	(14,778)	3,259	7,088	15,019	25,366		25,366
(93)	147	170	1,180	152	1,556	(1,563)	(810)	(817)		(817)
(3,214)	2,246	(731)	(5,042)	(1,515)	(8,256)	174	(3,375)	(11,457)		(11,457)
(149)	(18)	(2)	(919)	10	(1,078)	105	3,580	2,607		2,607
5,551	5,858	3,403	9,476	(14,568)	9,720	6,308	11,482	27,510	0	27,510
(3,480)	(78)	(211)	(4,552)	(335)	(8,656)	(5,410)	(4,511)	(18,577)		(18,577)
426	69	10	(746)	5	(236)	(578)	(3,303)	(4,117)		(4,117)
(3,054)	(9)	(201)	(5,298)	(330)	(8,892)	(5,988)	(7,814)	(22,694)	0	(22,694)
(1)	(2,493)	(249)	(31)	0	(2,774)	1	1	(2,772)		(2,772)
4,000	0	0	4,000	11,800	19,800	0	(3,000)	16,800		16,800
(7,035)	(3,167)	(3,030)	(6,658)	0	(19,890)	(5,941)	(1,417)	(27,248)		(27,248)
(3,036)	(5,660)	(3,279)	(2,689)	11,800	(2,864)	(5,940)	(4,416)	(13,220)	0	(13,220)
(539)	189	(77)	1,489	(3,098)	(2,036)	(5,620)	(748)	(8,404)	0	(8,404)
4,215	1,039	1,070	5,068	199	11,591	14,943	748	27,282		27,282
\$3,676	\$1,278	\$993	\$6,557	(\$2,899)	\$9,555	\$9,323	\$0	\$18,878	\$0	\$18,878

Cash flows from operating activities
Excess/(deficiency) of revenue over expenses
Adjustments to reconcile excess/(deficiency) of revenue over expenses to net cash provided/(used) by operating activities
Depreciation and amortization
Amortization of bond discount
Increase/(decrease) in cash and short-term investments from changes in
Patient receivables
Intercompany accounts
Other current assets
Accounts payable and accrued expenses
Other

Net cash provided/(used) by operating activities
Cash flows from investing activities
Acquisition of property and equipment, net of disposals & transfers
Investments limited or restricted as to use

Net cash provided/(used) by investing activities
Cash flows from financing activities
Repayment of long-term debt
Net borrowings/(repayments) under line of credit agreements
Net transfers (to)/from affiliates

Net cash provided/(used) by financing activities
Net increase/(decrease) in cash and short-term investments
Cash and short-term investments at beginning of year
Cash and short-term investments at October 31, 1996

November 30

EXHIBIT 2294

New Folder

EXHIBIT

2294

11/25/03

Cushion/Reserve

For home / office
all answers
and 1220 700

Excess PPE
Revenue

AHERF RESERVE DETAIL
FY 97

	Balance @ 6/30/96	Balance @ 6/30/97	Change
AGH			
Excess Bad Debt Reserve	\$900,000	\$900,000	
Excess Charge Differential	2,275,000	1,275,000	
Prior Year CRAs	1,000,000	893,000	
General Reserve in CRAs	7,110,000	3,135,000	
	<u>11,285,000</u>	<u>6,203,000</u>	<u>(5,082,000)</u>
AUMC			
FH:			
Prior Year CRAs	-	7,800,000	
General Reserve	-	10,400,000	
	-	<u>18,200,000</u>	
AVH:			
Prior Year CRAs	-	1,800,000	
General Reserve	-	855,000	
	-	<u>2,655,000</u>	
Total	-	<u>20,855,000</u>	<u>20,855,000</u>
AUH			
MCPH:			
Health Partners Unrecorded Equity	84,000	-	
Excess Inventory Reserve	345,000	-	
Bad Debt Reserve Shortfall	<u>(12,884,000)</u>	-	
	<u>(12,455,000)</u>	-	
EPH:			
Bad Debt Reserve Shortfall	<u>(7,306,000)</u>	-	
	<u>(7,306,000)</u>	-	
BCH:			
Bad Debt Reserve Shortfall	<u>(6,198,000)</u>	-	
	<u>(6,198,000)</u>	-	
HH:			
Excess Inventory Reserve	587,000	-	
Excess Accumulated Depreciation	1,100,000	-	
Hahn Ins. Co. Unrecorded Deficit	<u>(1,100,000)</u>	-	
Write Off of Feinstein Bldg	-	(1,371,000)	
Write Off of SHSH Bldg.	<u>(1,310,000)</u>	<u>(1,221,000)</u>	
Bad Debt Reserve Shortfall	<u>(5,433,000)</u>	-	
	<u>(6,156,000)</u>	<u>(2,592,000)</u>	
MSS:			
Unrecorded Centre Square Lease	<u>(1,400,000)</u>	-	
	<u>(1,400,000)</u>	-	
Total	<u>(33,515,000)</u>	<u>(2,592,000)</u>	<u>30,923,000</u>
SCHC			
Revenue Reserves (Roger Hart & MA Excess)	-	1,000,000	
Temple OR Reserve	450,000	-	
Health Partners Unrecorded Equity (Deficit)	17,000	-	
General Reserve	2,200,000	-	
Bad Debt Reserve Shortfall	<u>(10,103,000)</u>	-	
	<u>(6,436,000)</u>	<u>1,000,000</u>	<u>7,436,000</u>

AHERF RESERVE DETAIL
FY 97
Page 2

AUH, Centennial

GH:			
NIH Grant Reserve	-	500,000	
Prudent Buyer Reserve	-	2,500,000	
General A/P Reserve	-	567,000	
	-	<u>3,567,000</u>	
MSH:			
Shutdown Reserve	-	2,150,000	
General A/P Reserve	-	114,000	
	-	<u>2,264,000</u>	
PH:			
Prudent Buyer Reserve	-	400,000	
General Reserve	-	673,000	
	-	<u>1,073,000</u>	
CAH:			
Prudent Buyer Reserve	-	400,000	
General Reserve	-	123,000	
	-	<u>523,000</u>	
Total	-	<u>7,427,000</u>	<u>7,427,000</u>

AUH, New Jersey

RH:			
Shutdown Reserve	-	1,000,000	
General A/P Reserve	-	202,000	
	-	<u>1,202,000</u>	<u>1,202,000</u>

AIHG

- - -

AUHS

Hamot Restricted Monies	<u>1,500,000</u>	<u>1,000,000</u>	
	<u>1,500,000</u>	<u>1,000,000</u>	<u>(500,000)</u>

ASRI

- - -

AHERF OPS

Unrecorded Ins. Expense - Elkins Park	(382,000)	-	
Temporarily Restricted Funds	<u>52,788,000</u>	<u>29,000,000</u>	
	<u>52,406,000</u>	<u>29,000,000</u>	<u>(23,406,000)</u>
AHERF Consolidated	<u>\$25,240,000</u>	<u>\$64,095,000</u>	<u>\$38,855,000</u>

• W1123uhertmac197ravdl wk4

AHERF RESERVE SUMMARY FY 97

	<u>Balance @ 6/30/96</u>	<u>Balance @ 6/30/97</u>	<u>Change</u>
AGH	\$11,285,000	\$6,203,000	(\$5,082,000)
FH	-	18,200,000	
AVH	-	2,655,000	
AUMC	-	20,855,000	20,855,000
MCPH	(12,455,000)	-	
EPH	(7,256,000)	-	
BCH	(6,198,000)	-	
HH	(6,156,000)	(2,592,000)	
MSS	(1,300,000)	-	
AUH*	(33,365,000)	(2,592,000)	30,773,000
SCHC*	(5,555,000)	1,000,000	6,555,000
GH	-	3,567,000	
MSH	-	2,264,000	
PH	-	1,073,000	
CAH	-	523,000	
AUH, Centennial	-	7,427,000	7,427,000
AUH, New Jersey	-	1,202,000	1,202,000
AIHG	-	-	-
AUHS	1,500,000	1,000,000	(500,000)
ASRI	-	-	-
AHERF OPS	52,406,000	29,000,000	(23,406,000)
AHERF Consolidated	<u>\$26,271,000</u>	<u>\$64,095,000</u>	<u>\$37,824,000</u>

Potential Exposures:

Health America Risk Agreement ?

USHC Risk Agreement ?

AUH, Centennial Prudent Buyer Audits FY96 & FY97 ? (\$2.8 million included above for such exposure)

* Includes \$19,854,000 and \$9,090,000 of bad debt shortfalls at 6/30/96 for AUH and SCHC, respectively

CUSHIONS AVAILABLE FOR FY 98
AHERF - EASTERN DIVISION

*Levine, Adams
 for Jim Pome
 for System to New*

	Prudent Buyer	Shutdown Reserves Riverside/Mt. Sinai	NIH Grant Revenue	Hamot Restricted Monies	FY 98 Advertising Campaign	Writeoff of Feinstein & SHSH Buildings	General Revenues	Total
MCP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EPH	-	-	-	-	-	-	-	-
BCH	-	-	-	-	-	-	-	-
HH	-	-	-	-	-	(2,592)	-	(2,592)
Total AUH	-	-	-	-	-	(2,592)	-	(2,592)
SCHC	-	-	-	-	1,000	-	-	1,000
GH	2,500	-	500	-	-	-	567	3,567
MSH	-	2,150	-	-	-	-	114	2,264
CAH	400	-	-	-	-	-	123	523
PH	400	-	-	-	-	-	673	1,073
Total AUH, Centennial	3,300	2,150	500	-	-	-	1,477	7,427
AUH, New Jersey	-	1,000	-	-	-	-	202	1,202
AUHS	-	-	-	1,000	-	-	-	1,000
	<u>\$ 3,300</u>	<u>\$ 3,150</u>	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ (2,592)</u>	<u>\$ 1,679</u>	<u>\$ 8,037</u>

s:\k\123198cush.wat

**14.8m of total AP reserves met*

*2005-07-11
 new 1000 1000*

include P/E Reserve

AHERF
Analysis of Reserves

	<u>06/30/96</u>	<u>Unadjusted 06/30/97</u>	<u>Taken</u>	<u>Adjusted 06/30/97</u>
Alleg. Univ.				
PP&E Reserve	\$3,500,000	\$3,500,000		\$3,500,000
Hamot Restricted Monies	1,500,000	1,000,000		1,000,000
Total Alleg. Univ.	<u>5,000,000</u>	<u>4,500,000</u>	<u>0</u>	<u>4,500,000</u>
SCHC				
FY 96 Accrual of FY 97 Expenses	2,200,000	-		0
Revenue Reserves (Roger Hart & MA excess)	-	1,881,000	(881,000)	1,000,000
Prior Year CRA	2,400,000	-		0
Health Partners Unrecorded Equity/(Deficit)	17,000	-		0
Temple O.R. Reserve	450,000	-		0
General A/P Reserves	-	278,000	(278,000)	0
Total SCHC	<u>5,067,000</u>	<u>2,159,000</u>	<u>(1,159,000)</u>	<u>1,000,000</u>
Alleg. Univ. Hosp.				
Hahnemann				
Inventory Reserve	587,000	-		0
PP&E Reserve	1,100,000	-		0
Feinstein Building	-	(1,371,000)		(1,371,000)
SHSH Building	(1,310,000)	(1,221,000)		(1,221,000)
Hahnemann Insurance Company deficit	(1,100,000)	-		0
Medicare Passthrough	-	341,000	(341,000)	0
Total Hahnemann	<u>(723,000)</u>	<u>(2,251,000)</u>	<u>(341,000)</u>	<u>(2,592,000)</u>
Others				
Health Partners Unrecorded Equity/(Deficit) - M	84,000	-		0
PP&E Reserve - MCP	2,900,000	2,900,000		2,900,000
PP&E Reserve - Elkins Park	50,000	50,000		50,000
PP&E Reserve - Mgmt. Services	100,000	100,000		100,000
Unrecorded Centre Square Lease - MS	(1,400,000)	-		0
Inventory Adjustment - MCP	345,000	-		0
General A/P Reserves - Mgmt. Services	-	0		0
Total Other	<u>2,079,000</u>	<u>3,050,000</u>	<u>0</u>	<u>3,050,000</u>
Total Alleg. Univ. Hosp.	<u>1,356,000</u>	<u>799,000</u>	<u>(341,000)</u>	<u>458,000</u>
TOTAL DV OBLIGATED GROUP	<u>11,423,000</u>	<u>7,458,000</u>	<u>(1,500,000)</u>	<u>5,958,000</u>

AHERF
Analysis of Reserves

	<u>06/30/96</u>	<u>Unadjusted 06/30/97</u>	<u>Taken</u>	<u>Adjusted 06/30/97</u>
Graduate				
PFMA Contract	-	5,050,000	(5,050,000)	0
Excess Bad Debt Reserve	-	1,020,000	(1,020,000)	0
NIH Grant Reserve	-	500,000		500,000
Inventory Reserve	-	470,000	(470,000)	0
Prudent Buyer Reserve	-	2,500,000		2,500,000
Hill-Burton Reserve	-	1,500,000	(1,500,000)	0
General A/P Reserve	-	4,662,000	(4,095,000)	567,000
Total Graduate	<u>0</u>	<u>15,702,000</u>	<u>(12,135,000)</u>	<u>3,567,000</u>
Mt. Sinai				
Shutdown Reserve	-	2,150,000		2,150,000
General A/P Reserve	-	2,555,000	(2,441,000)	114,000
Total Mt. Sinai	<u>0</u>	<u>4,705,000</u>	<u>(2,441,000)</u>	<u>2,264,000</u>
Parkview				
PFMA Contract	-	5,050,000	(5,050,000)	0
Prudent Buyer Reserve	-	400,000		400,000
PIP Cushion	-	381,000		381,000
General A/P Reserve	-	1,106,000	(814,000)	292,000
General Reserve	-	400,000	(400,000)	0
Total Parkview	<u>0</u>	<u>7,337,000</u>	<u>(6,264,000)</u>	<u>1,073,000</u>
City Avenue				
Prudent Buyer Reserve	-	400,000		400,000
General A/P Reserve	-	1,151,000	(1,028,000)	123,000
General Reserves	-	1,600,000	(1,600,000)	0
Total City Avenue	<u>0</u>	<u>3,151,000</u>	<u>(2,628,000)</u>	<u>523,000</u>
Rancocas				
Shutdown Reserve	-	1,000,000		1,000,000
General A/P Reserve	-	4,534,000	(4,332,000)	202,000
Total Rancocas	<u>0</u>	<u>5,534,000</u>	<u>(4,332,000)</u>	<u>1,202,000</u>
Forbes				
Prior Year CRA Reserves	-	7,800,000		7,800,000
General Reserves	-	10,400,000		10,400,000
Total Forbes	<u>0</u>	<u>18,200,000</u>	<u>0</u>	<u>18,200,000</u>
Allegheny Valley				
Prior Year CRA Reserves	-	1,800,000		1,800,000
General Reserves	-	855,000		855,000
Total Allegheny Valley	<u>0</u>	<u>2,655,000</u>	<u>0</u>	<u>2,655,000</u>
TOTAL NEW ACQUISITIONS	<u>0</u>	<u>57,284,000</u>	<u>(27,800,000)</u>	<u>29,484,000</u>

AHERF
Analysis of Reserves

	<u>06/30/96</u>	<u>Unadjusted 06/30/97</u>	<u>Taken</u>	<u>Adjusted 06/30/97</u>
AGH				
Excess Charge Differential	2,275,000	2,275,000	(1,000,000)	1,275,000
Bad Debt Reserves	900,000	900,000		900,000
Prior Year CRA Reserves	1,000,000	893,000		893,000
General Reserves in CRA's	7,110,000	4,385,000	(1,250,000)	3,135,000
Total AGH	<u>11,285,000</u>	<u>8,453,000</u>	<u>(2,250,000)</u>	<u>6,203,000</u>
AHERF				
Insurance Debits - Bucks County	(382,000)	-		0
Temporarily Restricted Funds	52,788,000	29,000,000		29,000,000
Total AHERF	<u>52,406,000</u>	<u>29,000,000</u>	<u>0</u>	<u>29,000,000</u>
GRAND TOTAL	<u>\$75,114,000</u>	<u>\$102,195,000</u>	<u>(\$31,550,000)</u>	<u>\$70,645,000</u>

Potential Exposure Items:

Health America Risk Arrangement
USHC Risk Arrangement
Prudent Buyer

AHERF RESERVE SUMMARY **FY 97**

	Balance @ 6/30/96	Balance @ 6/30/97	Change
AGH	\$11,285,000	\$8,453,000	(\$2,832,000)
FH	-	18,200,000	
AVH	-	2,655,000	
AUMC	-	20,855,000	20,855,000
MCPH	(9,555,000)	2,900,000	
EPH	(7,256,000)	50,000	
BCH	(6,198,000)	-	
HH	(6,156,000)	(2,592,000)	
MSS	(1,300,000)	100,000	
AUH*	(30,465,000)	458,000	30,923,000
SCHC*	(7,436,000)	1,881,000	9,317,000
GH	-	17,640,000	
MSH	-	4,705,000	
PH	-	5,850,000	
CAH	-	2,000,000	
AUH, Centennial	-	30,195,000	30,195,000
AUH, New Jersey	-	5,644,000	5,644,000
AIHG	-	-	-
AUHS	5,000,000	4,500,000	(500,000)
ASRI	-	-	-
AHERF OPS	52,406,000	29,000,000	(23,406,000)
AHERF Consolidated	<u>\$30,790,000</u>	<u>\$100,986,000</u>	<u>\$70,196,000</u>

Potential Exposures:

Health America Risk Agreement ?

USHC Risk Agreement ?

AUH, Centennial Prudent Buyer Audits FY96 & FY97 ? (\$2.8 million included above for such exposure)

* Includes \$19,854,000 and \$9,090,000 of bad debt shortfalls at 6/30/96 for AUH and SCHC, respectively

AHERF RESERVE DETAIL **FY 97**

	Balance @ 6/30/96	Balance @ 6/30/97	Change
AGH			
Excess Bad Debt Reserve	\$900,000	\$900,000	
Excess Charge Differential	2,275,000	2,275,000	
Prior Year CRAs	1,000,000	893,000	
General Reserve in CRAs	7,110,000	4,385,000	
	11,285,000	8,453,000	(2,832,000)
AUMC			
FH:			
Prior Year CRAs	-	7,800,000	
General Reserve	-	10,400,000	
	-	18,200,000	
AVH:			
Prior Year CRAs	-	1,800,000	
General Reserve	-	855,000	
	-	2,655,000	
Total	-	20,855,000	20,855,000
AUH			
MCPH:			
Health Partners Unrecorded Equity	84,000	-	
Excess Accumulated Depreciation	2,900,000	2,900,000	
Excess Inventory Reserve	345,000	-	
Bad Debt Reserve Shortfall	(12,884,000)	-	
	(9,555,000)	2,900,000	
EPH:			
Excess Accumulated Depreciation	50,000	50,000	
Bad Debt Reserve Shortfall	(7,306,000)	-	
	(7,256,000)	50,000	
BCH:			
Bad Debt Reserve Shortfall	(6,198,000)	-	
	(6,198,000)	-	
HH:			
Excess Inventory Reserve	587,000	-	
Excess Accumulated Depreciation	1,100,000	-	
Hahn Ins. Co. Unrecorded Deficit	(1,100,000)	-	
Write Off of Feinstein Bldg	-	(1,371,000)	
Write Off of SHSH Bldg.	(1,310,000)	(1,221,000)	
Bad Debt Reserve Shortfall	(5,433,000)	-	
	(6,156,000)	(2,592,000)	
MSS:			
Excess Accumulated Depreciation	100,000	100,000	
Unrecorded Centre Square Lease	(1,400,000)	-	
	(1,300,000)	100,000	
Total	(30,465,000)	458,000	30,923,000
SCHC			
Revenue Reserves (Roger Hart & MA Excess)	-	1,881,000	
Temple OR Reserve	450,000	-	
Health Partners Unrecorded Equity (Deficit)	17,000	-	
General Reserve	2,200,000	-	
Bad Debt Reserve Shortfall	(10,103,000)	-	
	(5,555,000)	1,881,000	7,436,000

AHERF RESERVE DETAIL**FY 97****Page 2****AUH_Centennial****GH:**

Excess Bad Debt Reserve	-	1,020,000	AR
NIH Grant Reserve	-	500,000	other AR
Inventory Reserve	-	470,000	Inventory
Prudent Buyer Reserve	-	2,500,000	AC. and EXP
Hill-Burton Reserve	-	1,500,000	AR
PFMA Reserve	-	5,050,000	AC. and EXP
General A/P Reserve	-	6,600,000	
	-	<u>17,640,000</u>	

MSH:

Shutdown Reserve	-	2,150,000	
General A/P Reserve	-	2,555,000	
	-	<u>4,705,000</u>	

PH:

PFMA Contract	-	5,050,000	
Prudent Buyer Reserve	-	400,000	
General Reserve	-	400,000	
	-	<u>5,850,000</u>	

CAH:

Prudent Buyer Reserve	-	400,000	
General Reserve	-	1,600,000	
	-	<u>2,000,000</u>	

Total	-	30,195,000	30,195,000
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AUH_New Jersey**RH:**

Shutdown Reserve	-	1,000,000	
General A/P Reserve	-	4,644,000	
	-	<u>5,644,000</u>	5,644,000

AIHG**AUHS**

Excess Accumulated Depreciation	3,500,000	3,500,000	
Hamot Restricted Monies	1,500,000	1,000,000	
	<u>5,000,000</u>	<u>4,500,000</u>	(500,000)

ASRI**AHERF OPS**

Unrecorded Ins. Expense - Elkins Park	(382,000)	-	
Temporarily Restricted Funds	52,788,000	29,000,000	
	<u>52,406,000</u>	<u>29,000,000</u>	(23,406,000)

AHERF Consolidated

<u>\$32,671,000</u>	<u>\$100,986,000</u>	<u>\$68,315,000</u>
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Page - and Summary
J-

**PARKVIEW HOSPITAL
CUSHIONS
June 30, 1997
(Dollars in Thousands)**

Bad debt reserve excess/(deficiency):

Reserve per GL	\$3,513	
Reserve required (patient accounting analysis)	<u>3,513</u>	\$0

FY 1997 Prudent Buyer Reserve		801
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*HAVE NOT
REVIEWED*

Charge differential excess/(deficiency):

Balance per GL	5,843	
Balance required (writedown analysis)	<u>5,662</u>	181

Excess accruals:

GHS management fees after October 31, 1996	191	
Severance	93	
Wrongful dismissal (settled in May, 1997)	100	
Other accruals, net of transfer to Hahnemann	<u>368</u>	752

TOTALS		<u><u>\$1,734</u></u>
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07/18/97

**CITY AVENUE HOSPITAL
CUSHIONS
June 30, 1997
(Dollars in Thousands)**

Bad debt reserve excess/(deficiency):

Reserve per GL	\$4,735	
Reserve required (patient accounting analysis)	<u>4,735</u>	\$0

FY 1997 Prudent Buyer Reserve	801
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Charge differential excess/(deficiency):

Balance per GL	7,065	
Balance required (writedown analysis)	<u>5,924</u>	1,141

Excess accruals:

GHS management fees after October 31, 1996	210	
Bonuses for executive management	58	
Severance	47	
Audit fees	81	
Legal fees	38	
Outplacement fees	124	
Other accruals, net of transfer to Hahnemann	<u>756</u>	1,314

TOTALS		<u><u>\$3,256</u></u>
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07/18/97

AHERF RESERVE SUMMARY **FY 97**

	Balance @ 6/30/96	Balance @ 5/31/97	Change
AGH	\$11,285,000	\$8,453,000	(\$2,832,000)
FH	-	16,300,000	
AVH	-	2,355,000	
AUMC	-	18,655,000	18,655,000
MCPH	(9,555,000)	2,900,000	
EPH	(7,256,000)	50,000	
BCH	(6,198,000)	-	
HH	(6,156,000)	(2,592,000)	
MSS	(1,300,000)	100,000	
AUH*	(30,465,000)	458,000	30,923,000
SCHC**	(7,436,000)	90,000	7,526,000
GH	-	16,515,000	
MSH	-	3,508,000	
PH	-	5,532,000	
CAH	-	1,130,000	
AUH, Centennial	-	26,685,000	26,685,000
AUH, New Jersey	-	2,573,000	2,573,000
AIHG	-	-	-
AUHS	5,000,000	5,047,000	47,000
ASRI	-	-	-
AHERF OPS	52,406,000	25,009,000	(27,397,000)
AHERF Consolidated	<u>\$30,790,000</u>	<u>\$86,970,000</u>	<u>\$56,180,000</u>

Potential Exposures:

Health America Risk Agreement ?

USHC Risk Agreement ?

Graduate Prudent Buyer Audits \$1,000,000 - \$2,000,000

* Includes \$19,854,000 of bad debt shortfalls at 6/30/96

** Includes \$9,090,000 of bad debt shortfalls at 6/30/96

AHERF RESERVE DETAIL
FY 97

	Balance @ 6/30/96	Balance @ 5/31/97	Change
<u>AGH</u>			
Excess Bad Debt Reserve	\$900,000	\$900,000	
Excess Charge Differential	2,275,000	2,275,000	
Prior Year CRAs	1,000,000	893,000	
General Reserve in CRAs	7,110,000	4,385,000	
	11,285,000	8,453,000	(2,832,000)
<u>AUMC</u>			
FH:			
Prior Year CRAs	-	5,900,000	
General Reserve	-	10,400,000	
	-	16,300,000	
AVH:			
Prior Year CRAs	-	1,500,000	
General Reserve	-	855,000	
	-	2,355,000	
Total	-	18,655,000	18,655,000
<u>AUH</u>			
MCPH:			
Health Partners Unrecorded Equity	84,000	-	
Excess Accumulated Depreciation	2,900,000	2,900,000	
Excess Inventory Reserve	345,000	-	
Bad Debt Reserve Shortfall	(12,884,000)	-	
	(9,555,000)	2,900,000	
EPH:			
Excess Accumulated Depreciation	50,000	50,000	
Bad Debt Reserve Shortfall	(7,306,000)	-	
	(7,256,000)	50,000	
BCH:			
Bad Debt Reserve Shortfall	(6,198,000)	-	
	(6,198,000)	-	
HH:			
Excess Inventory Reserve	587,000	-	
Excess Accumulated Depreciation	1,100,000	-	
Hahn Ins. Co. Unrecorded Deficit	(1,100,000)	-	
Write Off of Feinstein Bldg	-	(1,371,000)	
Write Off of SHSH Bldg.	(1,310,000)	(1,221,000)	
Bad Debt Reserve Shortfall	(5,433,000)	-	
	(6,156,000)	(2,592,000)	
MSS:			
Excess Accumulated Depreciation	100,000	100,000	
Unrecorded Centre Square Lease	(1,400,000)	-	
	(1,300,000)	100,000	
Total	(30,465,000)	458,000	30,923,000
<u>SCHC</u>			
Temple OR Reserve	450,000	-	
Health Partners Unrecorded Equity (Deficit)	17,000	-	
General Reserve	2,200,000	-	
Inventory Reserve	-	90,000	
Bad Debt Reserve Shortfall	(10,103,000)	-	
	(7,436,000)	90,000	7,526,000

AHERF RESERVE DETAIL**FY 97****Page 2****AUH, Centennial****GH:**

Excess Bad Debt Reserve	-	1,020,000	
NIH Grant Reserve	-	500,000	
Inventory Reserve	-	470,000	
Prudent Buyer Reserve	-	2,500,000	
Hill-Burton Reserve	-	1,500,000	
PFMA Reserve	-	5,050,000	
Greater Atlantic Deferred Revenue	-	4,000,000	
General A/P Reserve	-	1,475,000	
	-	<u>16,515,000</u>	

MSH:

Shutdown Reserve	-	2,953,000	
General A/P Reserve	-	555,000	
	-	<u>3,508,000</u>	

PH:

PFMA Contract	-	5,050,000	
General Reserve	-	482,000	
	-	<u>5,532,000</u>	

CAH:

Excess Bad Debt Reserve	-	332,000	
General Reserve	-	798,000	
	-	<u>1,130,000</u>	

Total	-	26,685,000	26,685,000
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AUH, New Jersey**RH:**

Shutdown Reserve	-	1,000,000	
General A/P Reserve	-	1,450,000	
Excess Charge Differential Reserve	-	123,000	
	-	<u>2,573,000</u>	2,573,000

AIHG

-	-	-
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AUHS

Excess Accumulated Depreciation	3,500,000	3,500,000	
Hamot Restricted Monies	1,500,000	1,000,000	
General Reserve	-	547,000	
	<u>5,000,000</u>	<u>5,047,000</u>	47,000

ASRI


-	-	-
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AHERF OPS

Unrecorded Ins. Expense - Elkins Park	(382,000)	-	
Temporarily Restricted Funds	<u>52,788,000</u>	<u>25,009,000</u>	
	<u>52,406,000</u>	<u>25,009,000</u>	(27,397,000)
AHERF Consolidated	<u><u>\$30,790,000</u></u>	<u><u>\$86,970,000</u></u>	<u><u>\$56,180,000</u></u>

AHERF**Allegheny Health, Education and
Research Foundation****D.L. Clark Building, 4th Floor
Pittsburgh, Pennsylvania 15212****Memorandum**

TO: Albert Adamczak
Vice President, Financial Services

FROM: Daniel J. Cancelmi
Senior Director, Corporate Accounting and Financial Reporting 

DATE: July 3, 1997

SUBJECT: **Reserves Utilized to Cover Bad Debt Shortfalls and Health Partners Deficits**

In order to address two of the more pronounced exposure areas prior to our year end audit, various reserves have been utilized to eliminate bad debt reserve shortfalls and Health Partners deficits. A summary of the shortfalls and deficits follows:

(\$ in 000s)

	<u>MCPH</u>	<u>Elkins</u>	<u>Bucks</u>	<u>Hahnemann</u>	<u>SCHC</u>	<u>Total</u>
Bad debt reserve shortfall	\$6,091	\$2,793	\$1,547	\$11,106	\$3,546	\$25,083
Unrecorded Health Partners operating losses	425	---	---	640	1,367	2,432
Unrecorded Health Partners equity losses	<u>767</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>660</u>	<u>1,427</u>
	<u>\$7,283</u>	<u>\$2,793</u>	<u>\$1,547</u>	<u>\$11,746</u>	<u>\$5,573</u>	<u>\$28,942</u>

Attachments A and B to this memorandum outline the respective reserves utilized to cover the aforementioned shortfalls.

If you have any questions or need additional information, please contact me at your convenience.

Attachments

DJC/jaf
s/jodie/wp/dan/0703971 mem

cc: Joe Dionisio
Chuck Morrison
Greg Snow

Reserves Used to Cover Bad Debt Shortfall

Attachment A

(\$ in 000s)

	MCPH	EPH	BCH	HUH	SCHC	Total
Bad Debt Shortfall	(\$6,091)	(\$2,793)	(\$1,547)	(\$11,106)	(\$3,546)	(\$25,083)
Reserves Utilized:						
Capitalized Interest	1,191	24	59	1,355	328	2,957
University Cap. Interest	-	-	-	750	-	750
Mgmt. Services Cap. Interest	-	-	-	459	-	459
HUH Depreciation Reserve	-	-	-	1,100	-	1,100
Graduate Reserves:						
Excess Bad Debt	2,000	-	-	-	-	2,000
Prudent Buyer	3,000	-	-	-	-	3,000
PFMA	-	2,000	-	-	-	2,000
Pension	-	-	1,100	-	-	1,100
Workers' Comp	-	-	400	-	900	1,300
Parkview Reserves:						
PFMA	-	-	-	2,000	-	2,000
Malpractice	-	-	-	911	-	911
Pension	-	-	-	500	-	500
City Ave. Reserves:						
Malpractice	-	-	-	1,416	-	1,416
Pension	-	-	-	400	-	400
Mt. Sinai Reserves:						
Malpractice	-	-	-	686	-	686
Pension	-	-	-	200	-	200
Greater Atlantic Monies	-	-	-	824	-	824
Rancocas Reserves:						
Malpractice	-	-	-	628	-	628
General A/P	-	700	-	-	1,000	1,700
Pension	-	-	-	-	900	900
Excess Charge Diff.	-	-	-	-	500	500
Total Reserves Utilized	6,191	2,724	1,559	11,229	3,628	25,331
Adjusted (Shortfall)/Excess	\$100	(\$69)	\$12	\$123	\$82	\$248

s:\jodie\123\shortfall wk4

Reserves Used to Cover Health Partners Deficits

Attachment B

(\$ in 000s)

	<u>HUH</u>		<u>MCPH</u>		<u>St. Christopher's</u>		<u>Total</u>
	<u>Operating</u>		<u>Operating</u>	<u>Unrecorded</u>	<u>Operating</u>	<u>Unrecorded</u>	
	<u>Losses</u>		<u>Losses</u>	<u>Equity Loss</u>	<u>Losses</u>	<u>Equity Loss</u>	
	\$ (640)	\$	(425)	\$ (767)	\$ (1,367)	\$ (660)	\$ (3,859)
Reserves Utilized:							
HUH Inventory Reserve	635	-	-	-	-	-	635
Elkins Health Partners Reserves	-	-	-	-	158	-	158
Bucks Health Partners Reserves	-	-	-	-	162	-	162
SCHC General A/P Reserve	-	-	-	-	700	-	700
MCPH General A/P Reserve	-	350	-	-	-	-	350
Bucks General A/P Reserve	-	-	-	-	400	-	400
Mgmt. Services General A/P Reserve	-	75	250	-	-	-	325
Graduate General A/P Reserve	-	-	500	-	-	700	1,200
Total Reserves Utilized	<u>635</u>	<u>425</u>	<u>750</u>	<u>1,420</u>	<u>700</u>	<u>3,930</u>	
Adjusted (Shortfall)/Excess	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ (17)</u>	<u>\$ 53</u>	<u>\$ 40</u>	<u>\$ 71</u>	

u/jodie/123/deficits wk4

AHERF RESERVE SUMMARY FY 97

*Various Reserves from
Various - see Attached*

	Balance @ 6/30/96	Balance @ 5/31/97	Change
AGH	\$11,285,000	\$8,453,000	(\$2,832,000)
FH	-	16,300,000	
AVH	-	2,355,000	
AUMC	-	18,655,000	18,655,000
MCPH	(6,081,000)	(2,835,000)	
EPH	(5,933,000)	(2,561,000)	
BCH	(4,461,000)	(913,000)	
HH	(723,000)	(11,248,000)	
MSS	(1,300,000)	894,000	
AUH*	(18,498,000)	(16,663,000)	1,835,000
SCHC**	(6,423,000)	(4,376,000)	2,047,000
GH	-	28,256,000	
MSH	-	5,218,000	
PH	-	8,943,000	
CAH	-	2,946,000	
AUH, Centennial	-	45,363,000	45,363,000
AUH, New Jersey	-	6,301,000	6,301,000
AIHG	-	-	-
AUHS	5,000,000	5,797,000	797,000
ASRI	-	-	-
AHERF OPS	52,406,000	25,079,000	(27,327,000)
AHERF Consolidated	\$43,770,000	\$88,609,000	\$44,839,000

Potential Exposures:

Health America Risk Agreement ?

USHC Risk Agreement ?

Graduate Prudent Buyer Audits \$1,000,000 - \$2,000,000

* Includes \$19,854,000 and \$21,537,000 of bad debt shortfalls at 6/30/96 and 5/31/97, respectively

** Includes \$9,090,000 and \$3,546,000 of bad debt shortfalls at 6/30/96 and 5/31/97, respectively